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**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-2-05

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**James M. Singleton Charter Middle School,
Sponsor Organization
Dryades Young Men's Christian Association**

We have audited the accompanying statement of financial position of **James M. Singleton Charter Middle School, Sponsor Organization Dryades Young Men's Christian Association (JMSCMS)** as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of JMSCMS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **JMSCMS** as of June 30, 2004, and the changes in its net assets, statements of functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
James M. Singleton Charter Middle School,
Sponsor Organization
Dryades Young Men's Christian Association
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2004, on our consideration of **JMSCMS's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained an instance of noncompliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2004

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004**

ASSETS

Cash	\$258,102
Amount receivable, net (NOTE 4)	209,019
Property and equipment, net (NOTE 3)	<u>157,877</u>
 Total assets	 <u>\$624,998</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable (NOTE 15)	\$ 48,115
Salaries and taxes payable (NOTE 9)	13,855
Capital leases payable (NOTE 3)	16,385
Reserve for unemployment benefits (NOTE 14)	<u>34,120</u>
 Total liabilities	 <u>112,475</u>

CONTINGENCIES AND COMMITMENTS
(NOTES 5, 8 and 12)

Net assets

Unrestricted	<u>512,523</u>
 Total net assets	 <u>512,523</u>
 Total liabilities and net assets	 <u>\$624,998</u>

The accompanying notes are an integral part of these financial statements.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

SUPPORT AND REVENUES

Support:

Orleans Parish School Board \$2,153,029

Total support 2,153,029

Revenues:

Interest income 962

Other income 7,961

Total revenues 8,923

Total support and revenues 2,161,952

Expenses:

Program services 1,299,401

Supporting services 873,644

Total expenses 2,173,045

Change in net assets (11,093)

Net assets, beginning of year 523,616

Net assets, end of year \$ 512,523

The accompanying notes are an integral part of these financial statements.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>
	<u>Instructional</u>	<u>Management and General</u>
Salaries	\$ 895,491	\$178,082
Employee benefits and payroll taxes	237,291	50,755
Professional fees and contract services	42,419	176,412
Supplies	-0-	17,104
Instructional material and supplies	44,922	-0-
Telephone	-0-	13,811
Postage and shipping	-0-	935
Professional development	-0-	35,634
Utilities	-0-	40,904
Rent	-0-	185,118
Printing	-0-	4,665
Repairs and maintenance	-0-	41,318
Transportation	-0-	2,400
Insurance	-0-	52,140
Other expenses	-0-	8,213
Equipment expenses	26,284	-0-
Food cost	10,649	-0-
Student activities	42,345	-0-
Interest expense	-0-	4,661
Depreciation and amortization	-0-	61,328
Dues and subscriptions	<u>-0-</u>	<u>164</u>
 Total	 <u>\$1,299,401</u>	 <u>\$873,644</u>

The accompanying notes are an integral part of these financial statements.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash Flows from Operating Activities:

Change in net assets	\$(11,093)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	61,328
Increase in amount receivable, net	(25,492)
Increase in accounts payable	4,476
Increase in salaries and taxes payable	<u>8,305</u>
Net cash provided by operating activities	<u>37,524</u>

Cash Flows from Investing Activities:

Acquisition of property and equipment	(43,658)
Cash used in investing activities	<u>(43,658)</u>

Cash flow from Financing Activities:

Proceeds from capital leases	21,020
Payment on loan payable	(31,738)
Payment on capital leases	<u>(10,328)</u>
Cash used in financing activities	<u>(21,046)</u>

 Net decrease in cash (27,180)

Cash, beginning of year 285,282

Cash, end of year \$258,102

Interest paid during the year ended June 30, 2004 \$ 4,661

The accompanying notes are an integral part of these financial statements.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - Background and General Data:

Background

James M. Singleton Charter Middle School, Sponsor Organization Dryades Young Men's Christian Association (JMSCMS) is an independent public school sponsored by Dryades Young Men's Christian Association (the Association), a non-profit corporation organized under the laws of the State of Louisiana.

General

As of June 30, 2004, **JMSCMS** administered an independent public school funded by the Orleans Parish School Board (OPSB) to provide a framework for experimentation through the creation of a mechanism to accomplish the following objectives:

- Improve pupil learning and, in general, the public school system;
- Increase learning opportunities and access to quality education for pupils;
- Encourage the use of different and innovative teaching methods and a variety of governance, management, and administrative structures;
- Require appropriate assessment and measurement of academic learning results;
- Account better and more thoroughly for educational results; and
- Create new professional opportunities for teachers and other school employees.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements of **JMSCMS** are prepared in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Funding

JMSCMS receives its primary funding from the OPSB through the State of Louisiana's Minimum Foundation Program Funding.

Property and Equipment

JMSCMS follows the practice of capitalizing all property and equipment acquisitions over \$325. Donated property and equipment are rendered at their fair value at time of donation. Depreciation is computed under the *straight-line method for all depreciable assets over their respective estimated useful lives*. **JMSCMS** depreciates property and equipment over a five-year period.

Capital leases and related liabilities are recorded at the lower of the present value of the minimum lease payments or the *fair value of the asset*.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and management and general in the accompanying statement of functional expenses.

Statement of Cash flows

For purposes of the statement of cash flows, **JMSCMS** considers all investments with original maturities of three months or less to be cash equivalents. At June 30, 2004 **JMSCMS** had no cash equivalents.

Financial Statement Presentation

Under FAS No. 116, **JMSCMS** must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 2004, **JMSCMS** received no contributions or promises.

Under FAS No. 117, **JMSCMS** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, **JMSCMS** is required to present a statement of cash flows. Revenues received and expenses incurred in conducting the activities of **JMSCMS** are included in the unrestricted net assets category.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Fair Value of Financial Instruments

The estimated fair value of all significant financial statement amounts have been determined by JMSCMS using available market information and appropriate valuation methodologies.

JMSCMS considers the carrying amounts of cash, amount receivable, accounts payable, salaries and taxes payable and capital leases payable, be at fair market.

Budgetary Data

JMSCMS formally adopts a budget. The budgetary data are submitted to the OPSB for approval by the Louisiana Board of Elementary and Secondary Education (BESE).

NOTE 3 - Property and Equipment:

At June 30, 2004, property and equipment consisted of the following:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Balance June 30, 2004</u>
Furniture and equipment	\$265,650	\$22,638	\$ 288,288
Capital asset under lease obligation	<u>9,317</u>	<u>21,020</u>	<u>30,337</u>
Sub-total	274,967	43,658	318,625
Less: accumulated depreciation and amortization	<u>(99,420)</u>	<u>(61,328)</u>	<u>(160,748)</u>
Total	<u>\$175,547</u>	<u>\$(17,670)</u>	<u>\$ 157,877</u>

Accumulated depreciation and amortization includes cumulative amortization totalling \$13,118 at June 30, 2004.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 3 - Property and Equipment, Continued

The future minimum lease payments under the two (2) capital leases at June 30, 2004, and for each of the next three (3) years follows:

<u>June 30,</u>	
2005	\$ 8,400
2006	6,831
2007	<u>1,701</u>
	16,932
Less amount representing interest	<u>(547)</u>
Net present value of minimum lease payments	<u>\$16,385</u>

Interest rate on the capital leases are 2.88% and 3.25%, respectively and is imputed based on JMSCMS's incremental borrowing rate at inception of the leases.

NOTE 4 - Amount Receivable, Net:

At June 30, 2004, amount receivable consisted of an amount due from the OPSB totaling \$209,019. Subsequent to year end, the full amount was received.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 5 - Line of Credit:

At June 30, 2004, **JMSCMS** had a \$500,000 non-revolving line of credit with a bank. The line of credit is renewable annually. Current maturity date is September 2, 2004, with a variable interest rate of 5.00%. At June 30, 2004, the amount drawn down and payable was \$-0-. Effective September 2, 2004, **JMSCMS** exercised its option to renew its line of credit. The line was renewed as a variable rate draw down line of credit loan for \$500,000. The maturity date of the renewal is September 2, 2005, with an interest rate of 6.00%.

NOTE 6 - Income Taxes:

The Association, which is the sponsor organization for **JMSCMS**, is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - Retirement Plan:

JMSCMS participates in the defined contribution retirement plan for the Association for all eligible employees with a year or more of service. **JMSCMS** contributes for each eligible employee, a percentage of their respective gross salary. Effective March 1, 2002, the plan was amended to require an employer contribution of 12%. Pension costs are funded on a current basis. **JMSCMS's** total pension costs for the year ended June 30, 2004, was \$91,407.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 8 - Contingencies and Commitments:

JMSCMS is a recipient of funding from OPSB through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of **JMSCMS** and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

Subsequent to June 30, 2004, **JMSCMS** received a loan from a bank in the amount of \$100,000, with an initial interest rate of 5.75%, and a maturity date due within one (1) year.

NOTE 9 - Salaries and Taxes Payable:

At June 30, 2004, salaries and taxes payable consisted of the following:

Salaries payable	\$12,850
Payroll taxes payable	<u>1,005</u>
Total	<u>\$13,855</u>

NOTE 10- Risk Management:

JMSCMS is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets for which **JMSCMS** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 11 - Concentration of Revenue Source:

JMSCMS receives primarily all of its support from OPSB. If the amount of support received should fall below award budgeted levels, **JMSCMS's** operating results could be adversely affected.

NOTE 12 - Leases:

JMSCMS signed two (2) operating leases for office and classroom space. Subsequent to year-end, the lease for office space was renewed through June 30, 2005. The lease for classroom space is due to expire December 31, 2004 and is expected to be renewed for a six month period. Minimum future rental payments under the leases for the year ending June 30, 2005, is \$173,760 and \$22,716, respectively.

Rental expense for the year ended June 30, 2004, was \$185,118.

NOTE 13 - Concentration of Credit Risk:

Financial instruments which potentially subject **JMSCMS** to concentrations of credit risk, as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, consist principally of cash. At June 30, 2004, **JMSCMS** had deposits in a single financial institution totaling \$216,430 in excess of the federal depository insurance limits of \$100,000.

NOTE 14 - Reserve for Unemployment Benefits:

Under an agreement with the State Department of Labor, **JMSCMS** pays for unemployment benefits on an actual basis (at the point of billing). At June 30, 2004, \$34,120 represents a reserve for such costs.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 15 - Accounts Payable:

At June 30, 2004, accounts payable consisted of the following:

Accounts payable - vendors	\$20,648
Accounts payable - other	<u>27,467</u>
	<u>\$48,115</u>

NOTE 16 - Per Diem to Board of Directors:

During the year ended June 30, 2004, no board member received per diem in his or her capacity as director.



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Michael B. Bruno, CPA
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Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
James M. Singleton Charter Middle School,
Sponsor Organization
Dryades Young Men's Christian Association

We have audited the financial statements of **James M. Singleton Charter Middle School, Sponsor Organization Dryades Young Men's Christian Association (JMSCMS)** as of and for the year ended June 30, 2004, and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether **JMSCMS's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an *instance of noncompliance that is required to be reported under Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2004-01.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Internal Control Over Financial Reporting

In planning and performing our audit, we considered JMSCMS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting, which we have reported to management of JMSCMS in a separate letter dated November 4, 2004.

This report is intended solely for the information and use of the Board of Directors, management, OPSB, BESE, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

November 4, 2004

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

We have audited the financial statements of **James M. Singleton Charter Middle School, Sponsor Organization Dryades Young Men's Christian Association** as of and for the year ended June 30, 2004, and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition (s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
• Material weakness(es) identified?	N/A*
• Reportable condition(s) identified that are not considered to be material weakness(es)?	N/A*

* Not Applicable

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Type of auditors' report issued on compliance for major programs:	N/A*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	N/A*
Identification of Major Program:	N/A*
Dollar threshold used to distinguish between type A and type B programs:	N/A*
Auditee qualified as low-risk auditee?	N/A*

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Section II - Financial Statement Finding

Reference Number

2004-01

Criteria

In accordance with Louisiana Revised Statute 17:3991(C)(1)(6)(a), a charter school must employ teachers certified by the state board or the French Ministry of Education for at least seventy-five percent ((75%) of the instructional staff employed by the charter school.

In addition, the Louisiana Revised Statute 17:3991(C)(1)(6)(b)(I) in reference to other instructional staff not possessing a regular certificate, states that such individuals should "be authorized under law or state board regulation to teach temporarily while seeking a regular teaching certificate".

Condition

Our review of JMSCMC's compliance with the referenced criteria revealed that only eleven (11) out of twenty-five (25) teachers were certified. As such, at June 30, 2004, only forty-four percent (44%) of JMSCMS's instructional staff are certified by the state board or the French Ministry of Education.

Questioned Costs

NONE.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Section II - Financial Statement Finding, Continued

Reference Number, Continued

2004-01

Effect

Non-compliance with requirements of Louisiana Revised Statute 17:3991(C)(1)(c)(6(a)).

Cause

The availability of certified teachers to the overall teacher population and JMSCMS's inability to employ the required percentage of certified instructors.

Recommendation

We recommend that management develop a marketing strategy to increase its current employment and retention of certified teachers. We also recommend that management establish procedures to ensure its compliance with the previously referenced statute.

Management's Response

It is management's assertion that based on the report issued by BESE resulting from an evaluation performed of the School's performance standards, JMSCMS is in compliance with the 75% teacher certification requirement.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Section III - Federal Award Findings and Questioned Costs

During the year ended June 30, 2004, JMSCMS received no direct and/or pass-through federal award.

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2004**

Section IV - Status of Prior Year's Finding

Reference Number

2003-01

Condition

Our review of **JMSCMS's** compliance with Louisiana Revised Statute 17:3991(C)(1)(c)(a), revealed that only seven (7) out of eighteen (18) teachers were certified. As such, at June 30, 2003, only thirty-nine percent (39%) of **JMSCMS's** instructional staff are certified by the state board.

Current Status

Unresolved. See current year finding reference number 2004-01

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION**

EXIT CONFERENCE
JUNE 30, 2004

The financial statements and all related reports, were discussed at an exit conference held and attended by:

**JAMES M. SINGLETON CHARTER MIDDLE SCHOOL,
SPONSOR ORGANIZATION
DRYADES YOUNG MEN'S CHRISTIAN ASSOCIATION**

Mr. Douglas Evans	--	General Director
Ms. Cynthia Hubbard	--	Controller
Honorable Darren G. Mire	--	Assistant Treasurer (Board of Directors)

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, MBA, CGFM	--	Partner
--	----	---------



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05 JAN 10 PM 3:35

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Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board Directors
James M. Singleton Charter Middle School,
Sponsor Organization
Dryades Young Men's Christian Association

In planning and performing our audit of the financial statements of **James M. Singleton Charter Middle School, Sponsor Organization Dryades Young Men's Christian Association (JMSCMS's)** as of and for the year ended June 30, 2004, we considered JMSCMS's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of matters that provide an opportunity for **JMSCMS** to strengthen its internal control and operating efficiency. Also, we reviewed the status of prior year's comments. We previously reported on **JMSCMS's** internal control in our report dated November 4, 2004. This letter does not affect our report dated November 4, 2004, on the financial statements of **JMSCMS**.

We have already discussed these suggestions with **JMSCMS's** personnel, and we will be pleased to discuss these suggestions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEARS' COMMENTS

STALE DATED CHECKS OUTSTANDING

Condition

Four (4) instances of stale dated checks (one dating as far back as January 2003) listed in JMSCMS's operating and payroll June 30, 2004 bank account reconciliations.

Recommendation

Management of JMSCMS should develop formal policies regarding stale dated checks over an extended period.

Management's Response

Management is currently developing a policy regarding handling checks outstanding over a certain time. Management will complete this process in the next 90 days.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEARS' COMMENTS, CONTINUED

- **UNDERCOLLATERALIZATION OF FUNDS**

Condition

Our review of JMSCMS's banking relationship with one of its financial institutions, revealed at June 30, 2004, the lack of collateral for funds in excess of \$100,000 resulting in an undercollateralization of \$216,430.

Recommendation

We recommend that management undertake the necessary steps to eliminate the risk associated with the under collateralization of its funds on deposit with others in excess of \$100,000.

Management's Response

Management acknowledges the lack of an effective system to ensure collateralization of JMSCMS's funds at all times. Management has begun dialogue with the financial institution in order to implement the necessary procedures that will ensure that all funds are adequately collateralized at all times.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEARS' COMMENTS

- **UNDERCOLLATERALIZATION OF FUNDS**

Condition

Our review of JMSCMS's banking relationship with one of its financial institutions, revealed at June 30, 2003, the lack of collateral for funds in excess of \$100,000 resulting in an undercollateralization of \$232,057.

Current Status

Unresolved. At June 30, 2004, JMSCMS had deposits in a single financial institution totaling \$216,430 in excess of the federal depository insurance limit.

Management's Response

Management acknowledges the lack of an effective system to ensure collateralization of JMSCMS's funds at all times. Management has begun dialogue with the financial institution in order to implement the necessary procedures that will ensure that all funds are adequately collateralized at all times.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS, CONTINUED

EVALUATE ADDITIONAL FUNDING OPTIONS

Condition*

Subsection 20.6 of Section 20 (Revenues) of the Charter for **JMSCMS** states:

“Sponsor shall be eligible for any other federal, restricted State and unrestricted State funding for which the school or its pupils qualify. Sponsor shall receive at a minimum its per-pupil share for any State or Federal grant program such as any funding provided for technology, teacher supplies, kindergarten through third grade reading and mathematics, summer school and other remediation funding, as well as any other State or Federal grant program. The School Board shall insure that such funds are made available for use by Sponsor no less than fifteen days after the School Board receives such funding from the State or the Federal government.”

Our review of **JMSCMS**'s revenue stream over the previous and current periods reveal that the primary source of funding for the charter school, has been the State funded per-pupil allocation pursuant to the Minimum Foundation Program formula.

Recommendation

Management of **JMSCMS** should explore with the OPSB and other private, Federal as well as State agencies, the opportunities that avail for additional financial assistance for educational purpose (for example Title I funding).

Management's Response

Management concurs.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

This letter does not affect our report dated November 4, 2004 on the financial statements of JMSCMS.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions or require further details, please do not hesitate to call.

This report is intended solely for the information of the Board of Directors, management of JMSCMS, OPSB, BESE, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2004